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Attachment A

PROPERTY REQUISITIONING AUTHORITY

WHAT IS IT?

1. "Property Requisitioning Authority" is a system to provide control over the value of materiel and supplies which can be utilized by any Agency component. Under the central procurement allotment concept followed in the Agency, the bulk of funds budgeted for property each year by individual components is allotted to the Office of Logistics to cover property procurement costs for both "direct purchase and issue" materiel and necessary replenishments of stock for materiel issued from Agency inventories.

2. The amount of procurement allotments to the Office of Logistics each year represents a ceiling which that Office cannot exceed for the purchase materiel for direct issue or stock replenishment. Accordingly, some type of control is required to preclude excessive requisitions being placed on Logistics by using components. Instead of fund allotments being made to the using components for the portion of Agency appropriation authorized for property, a "Property Requisitioning Authority" (PRA) is provided to each component which, in effect, represents a top limitation on the component's authority to requisition materiel. In the aggregate the total PRA issued to all components equates generally with the total amount budgeted for property for the fiscal year.

3. Agency regulations require each Agency component to maintain a control record of its use of PRA, and to certify on each requisition placed that unused PRA is available to cover the requisition. The Office of Logistics and field inventory locations accept requisitions so certified without maintaining separate records to preclude excessive requisitioning by the requesting components. The effectiveness of this PRA control system, therefore, depends to a large extent on the integrity of personnel in Agency components to certify as to the availability of PRA only when unused balances thereof exist.

4. As requisitions are released to Logistics, the requisitioning component prices the requisition and reduces the balance of its PRA remaining available. At the end of each month each component reports its total requisitions to the Office of Finance where a summary control is maintained showing the status of all uses of PRA throughout the Agency. One difficulty with this control, however, develops from a timing standpoint as components do not have complete current knowledge in some cases as to the value of property requisitioned through the current month-end by their field activities. To overcome this difficulty, it is recommended that cable advices be obtained each month-end from those field locations which are requisitioning substantial volumes of property, at least during critical periods of the year when available procurement funds are relatively tight.

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5. When any component specifically budgets for long lead time procurement for which orders must be placed in one fiscal year to assure delivery in subsequent years, the component's PRA is charged in the year request for procurement is made to Logistics (this is usually the year the purchase contract is placed). If the property is received in a subsequent year and is for delivery against the original requisition, the issue may be charged against the original PRA. In the event, however, the procurement becomes a stock item for issue as and when needed by individual components for which stock replenishment will be required, then the current PRA of the requisitioning component will be charged for the issue at the time the "issue requisition" is placed. If the item is not to be replaced, the Budget Division will make available to the requisitioning component current year "unfunded" PRA to cover the issue.

6. To summarize, under this system the amount of funds appropriated for procurement is placed by allotment under the control of the Office of Logistics and other components and an equivalent amount of PRA is provided to all using components. If each component limits its property requisitions within its individual authorized PRA amount, sufficient funds should be available to effect the necessary procurements and maintain established stock levels. Certain factors, however, tend to counteract against this balance; some of the more important of these are briefly discussed below:

- a. In periods of rising prices costs of stock replenishment will exceed the value of property issued based on fixed unit prices, with a consequent impairment in Agency overall inventory levels. This factor could be overcome either by including an amount to cover rising prices in annual budget submissions or by including a factor to recognize the rising price trend in establishing the fixed unit prices charged to users.
- b. Spoiled, damaged, and obsolescent stock items will reduce stock levels without offsetting funds being available for replenishment; Compensation for this loss could be achieved over a period of time by appropriate recognition of this factor in setting the fixed unit prices charged to users, or provision therefor could be added to annual budget requests.
- c. Required increases in established stock levels to provide for specific types of materials needed for essential but unprogrammed operations diminishes the amount of funds available for planned activities. This factor must be met whenever substantial values are involved by clearly identifying the unplanned activities and seeking additional funds from whatever sources are available to cover the property procurement requirements.